

Texas Transportation Commission Quarterly Investment Report



November 30, 2020



An aerial photograph of a city, likely Dallas, showing a complex highway interchange with multiple lanes and overpasses. The city skyline is visible in the background with various skyscrapers. The entire image has a blue color cast. Overlaid on the center of the image is the text "Connecting You with TEXAS".

Connecting
You with **TEXAS**

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Management's Certification of the Quarterly Investment Report

I certify that I have reviewed the Quarterly Investment Report as of and for the period ending November 30, 2020 prepared on behalf of Texas Transportation Commission (the Commission). To the best of my knowledge and belief:

1. In all material respects, the Investment Report was prepared in accordance, with the guidelines presented in Government Code, Chapter 2256 (Public Funds Investment Act) and Section 9.0 of the Commission's investment policy. The investments have been accorded consistent treatment in accordance with generally accepted accounting principles.
2. There have been no material misrepresentations in the report by the inclusion or exclusion of information.
3. An effective system of internal controls has been established to ensure that material financial information is recorded in the accounting system and properly reported in the report and there were no material weaknesses in internal controls during the period covered by the report or thereafter.
4. An independent accountant's report on agreed-upon procedures to review management's compliance with the Public Funds Investment Act is conducted annually. The report is presented to the commission.

DocuSigned by:

Lanny Wadle

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Lanny Wadle

Interim Chief Financial Officer

Investment Officer

DocuSigned by:

Benjamin H. Asher

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Benjamin H. Asher

Director, Project Finance, Debt & Strategic Contracts Division

Investment Officer

DocuSigned by:

Jennifer Wright

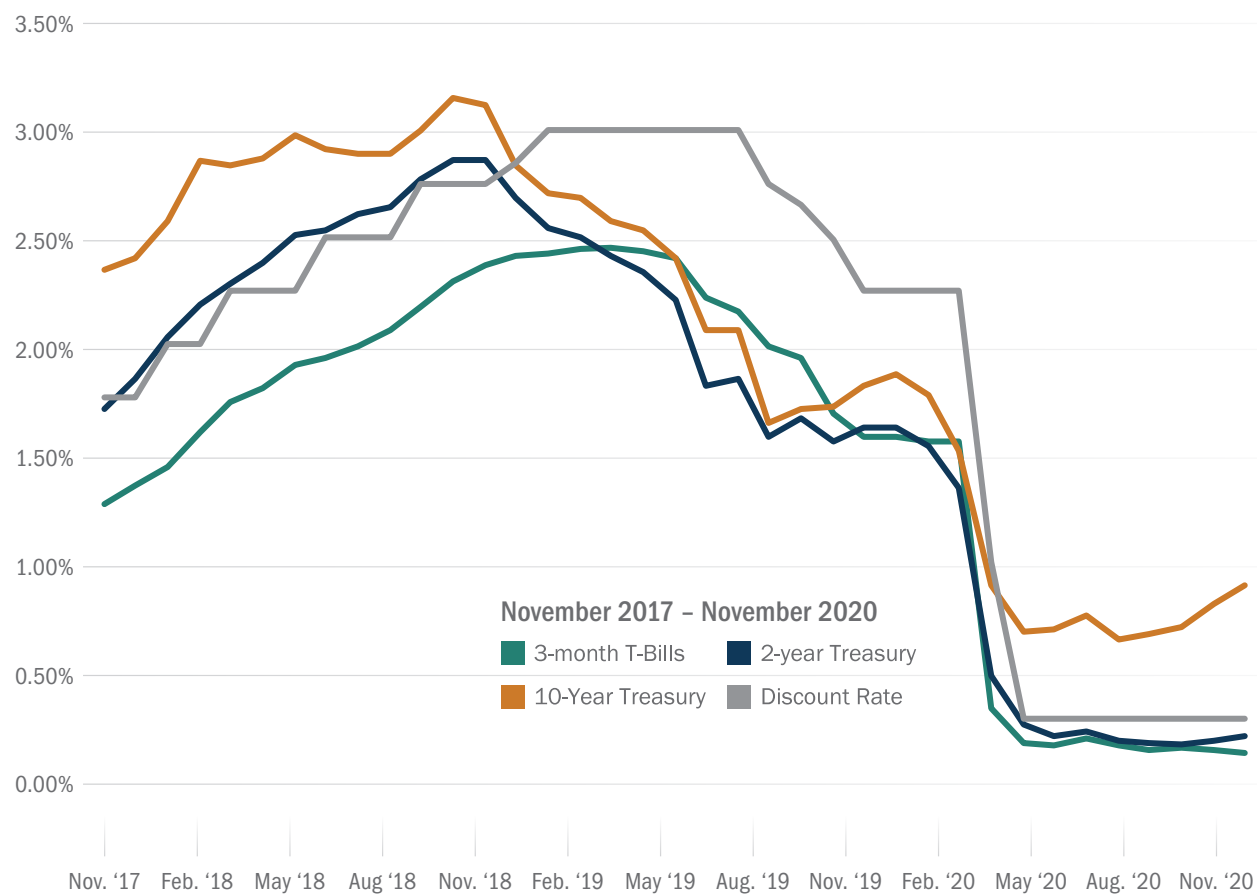
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Jennifer Wright

Project Finance & Debt Director

Investment Officer

U.S. Treasury Historical Yields





Central Texas Turnpike System Funds

MANAGEMENT DISCUSSION

In 2002, the Commission entered an Indenture of Trust establishing funds and accounts related to the financing of the 2002 Project of the Central Texas Turnpike System (CTTS). CTTS investments are held by The Bank of New York Mellon, acting as trustee. The funding of investments includes bond proceeds, capital contributions for the purpose of financing the 2002 Project, revenues derived from operation of CTTS toll roads and related investment earnings.

Suitable investments have been selected using the following criteria and priorities pursuant to the Commission's investment policy and the CTTS investment strategy:

- 1) Suitability of the investment to the financial requirements of the entity;
- 2) Preservation and safety of principal;
- 3) Liquidity;
- 4) Marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) Diversification of the investment portfolio; and
- 6) Yield.

The investment instruments described in Schedule 1 are in compliance with the Texas Public Funds Investment Act, the Commission's investment policy and the CTTS investment strategy.

INVESTMENT ACTIVITY

Investment income for the quarter: \$1,846,556; yield 1.06%.

The CTTS System collected \$46.4 million in revenue during the quarter. The Guaranteed Investment Contract is intended to be held to the maturity date of August 15, 2022.

CURRENT STRATEGY

The Capital Contributions account is invested to match planned expenditures. The investment strategy, however, remains guided by the following principles: safety of principal, liquidity, and yield, in that order.

CURRENT MARKET CONDITIONS

U.S. Treasury yields reflect monthly averages for November 2020 as posted by the Federal Reserve.

- 3-Month Treasury: 0.09%
- 2-Year Treasury: 0.17%
- 10-Year Treasury: 0.87%
- Discount Rate: 0.25%

Schedule 1 – Investments

Income for Quarter: \$1,846,556
Yield for Quarter: 1.06%

Description	Yield	Maturity Date	Book Value	Fair Value ¹
Liquid Investments				
Money Market				
Morgan Stanley Govt MMKT Fund	0.02%	12/01/20	\$ 57,869,143	\$ 57,869,143
JP Morgan Govt MMKT Fund	0.02%	12/01/20	47,939,793	47,939,793
TexPool ²				
Local Government Investment Pool	0.12%	12/01/20	76,688,593	76,678,930
Prime	0.16%	12/01/20	158,682,081	158,657,108
Lone Star Investment Pool ²				
Government Overnight Fund	0.08%	12/01/20	10,836,094	10,835,064
U.S Government Securities				
U.S. Treasury Notes	1.61%	02/15/21	5,975,764	5,975,764
Freddie Mac Agency Notes	0.27%	08/23/23	19,983,800	19,983,800
Freddie Mac Agency Notes	0.27%	08/23/23	19,983,800	19,983,800
Freddie Mac Agency Notes	0.63%	11/25/25	20,039,400	20,039,400
Freddie Mac Agency Notes	0.63%	11/25/25	20,039,400	20,039,400
Guaranteed Investment Contract ³				
Citigroup Global Markets Inc. GIC (CUSIP S86538450)	5.20%	08/15/22	114,999,379	114,999,379
Funds Held by Texas Treasury Safekeeping Trust Company				
Operating, Maint. and Reserve Maint.	0.03%	12/01/20	25,505,146	25,505,146
Funds Held by the Comptroller ⁴				
Operating, Maint. and Reserve Maint.	0.56%	12/01/20	128,053,383	128,053,383
			\$ 706,595,776	\$ 706,560,109

Notes:

¹ For the quarter, \$16,174 was booked for changes in the Fair Value of investments. All investments are intended to be held to maturity.

² These local government investment pools seek to maintain a one dollar per share, as required by the Texas Public Funds Investment Act.

³ This security was purchased under the terms of a forward purchase agreement that was executed in August 2002 at rates that were currently available at that time.

⁴ These funds are held by the Texas Comptroller of Public Accounts.

Fair Values are reported on monthly account statements. Totals may not add up due to rounding.

Schedule 2 – Allocation by Account

8/31/20

Description	Revenue Fund	1st Tier Interest Account (A)	1st Tier Principal Account	1st Tier Debt Service Reserve	2nd Tier Interest (B)	2nd Tier Debt Service Reserve	Rate Stabilization Fund	Capital Contribution Account	Accounts Held by Comptroller	Accounts Held by TTSTC	Portfolio Total
JP Morgan Government MM	4,575,816	35,179,823	36,480,801	18,871		-	13	26,260,032	-	-	\$102,515,356
Morgan Stanley Government MM	-	-	-	-	57,866,367	29,463,912	-	-	-	-	\$ 87,330,279
U.S. Treasury Notes	-	-	-	6,005,990	-	-	-	-	-	-	\$ 6,005,990
U.S. Treasury Bill											\$
U.S. Government Agency		-	-	-	-	-	-	-	-	-	\$
U.S. Government Agency Discount Notes		-	-	-	-	-	-	-	-	-	\$
Lone Star Government	-	-	-	-	-	-	12,354,234	10,832,472	-	-	\$ 23,186,706
TexPool Government	23,803,453	540,498	-	1,252,549	-	23,722,372	31,532,023	40,369,018	-	-	\$121,219,914
TexPool Prime	-	-	-	-	-	-	24,017,673	40,029,455	-	-	\$ 64,047,127
Guaranteed Investment Contract	-	-	-	114,999,379	-	-	-	-	-	-	\$114,999,379
Accounts Held by Comptroller	-	-	-	-	-	-	-	-	-	-	\$
Accounts Held by TTSTC	-	-	-	-	-	-	-	-	-	170,421,465	\$170,421,465
Totals	28,379,269	35,720,322	36,480,801	122,276,789	57,866,367	53,186,285	67,903,942	117,490,977	-	170,421,465	\$689,726,215

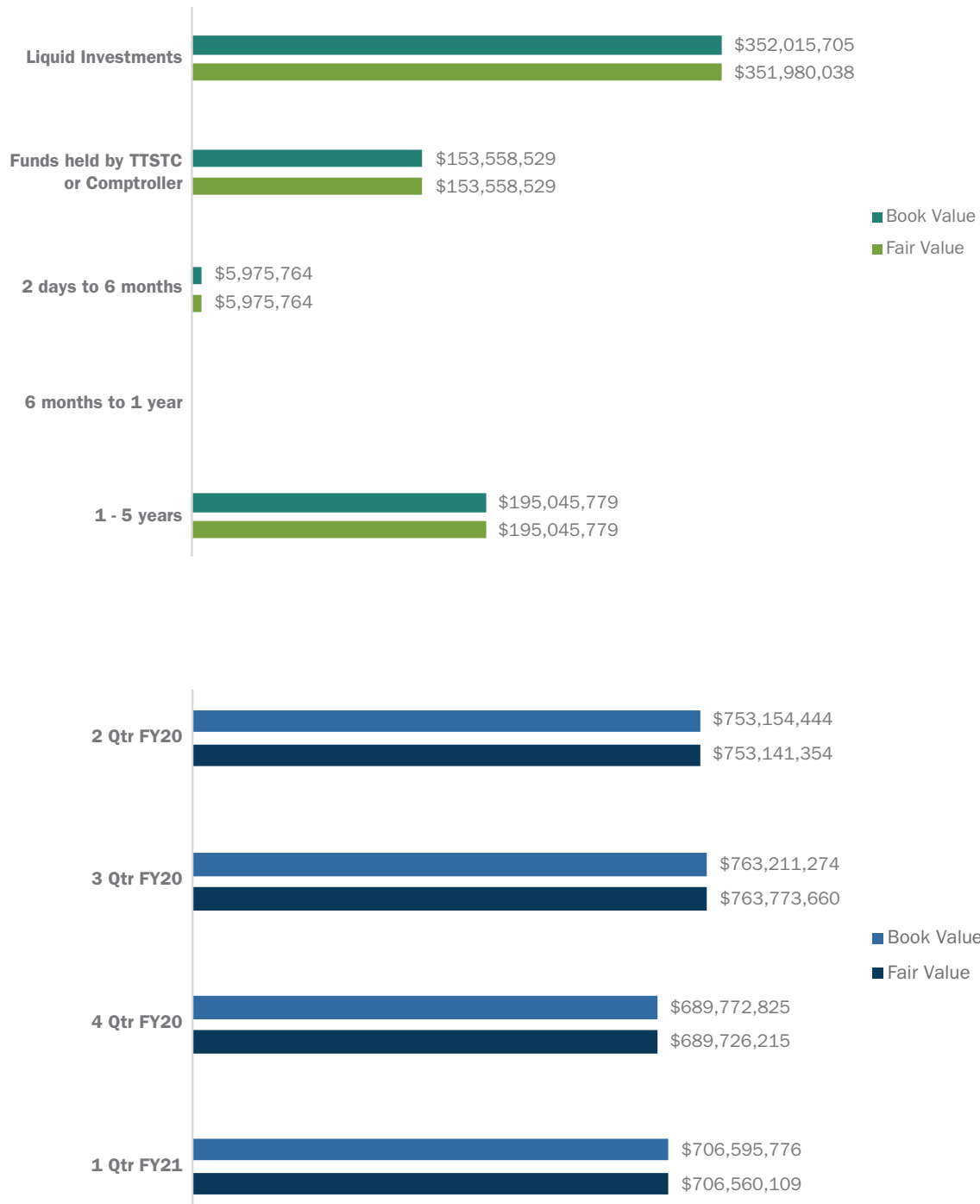
11/30/20

Description	Revenue Fund	1st Tier Interest Account (A)	1st Tier Principal Account	1st Tier Debt Service Reserve	2nd Tier Interest (B)	2nd Tier Debt Service Reserve	Rate Stabilization Fund	Capital Contribution Account	Accounts Held by Comptroller	Accounts Held by TTSTC ^(C)	Portfolio Total
JP Morgan Government MM	11,456,824	807	36,482,161		-	-	-	-	-	-	\$ 47,939,793
Morgan Stanley Govt MM	-	-	-	-	57,868,562	581	-	-	-	-	57,869,143
U.S. Treasury Notes	-	-	-	5,975,764	-	-	-	-	-	-	5,975,764
U.S. Treasury Bills	-	-	-	-	-	-	-	-	-	-	-
U.S. Government Agency	-	-	-	-	-	40,023,200	40,023,200	-	-	-	80,046,400
U.S. Government Agency Discount Notes		-	-	-	-	-	-	-	-	-	-
Lone Star Government	-	-	-	-	-	-		10,835,064	-	-	10,835,064
TexPool Government	61,667,895	540,706	-	1,271,936	-	13,198,393	-	-	-	-	76,678,930
TexPool Prime	-	35,185,689	-	-	-	-	27,937,308	95,534,112	-	-	158,657,108
Guaranteed Investment Contract	-	-	-	114,999,379	-	-	-	-	-	-	114,999,379
Accounts Held by Comptroller	-	-	-	-	-	-	-	-	128,053,383	-	128,053,383
Accounts Held by TTSTC	-	-	-	-	-	-	-	-	-	25,505,146	25,505,146
Totals	73,124,719	35,727,201	36,482,161	122,247,079	57,868,562	53,222,174	67,960,508	106,369,175	128,053,383	25,505,146	\$706,560,109

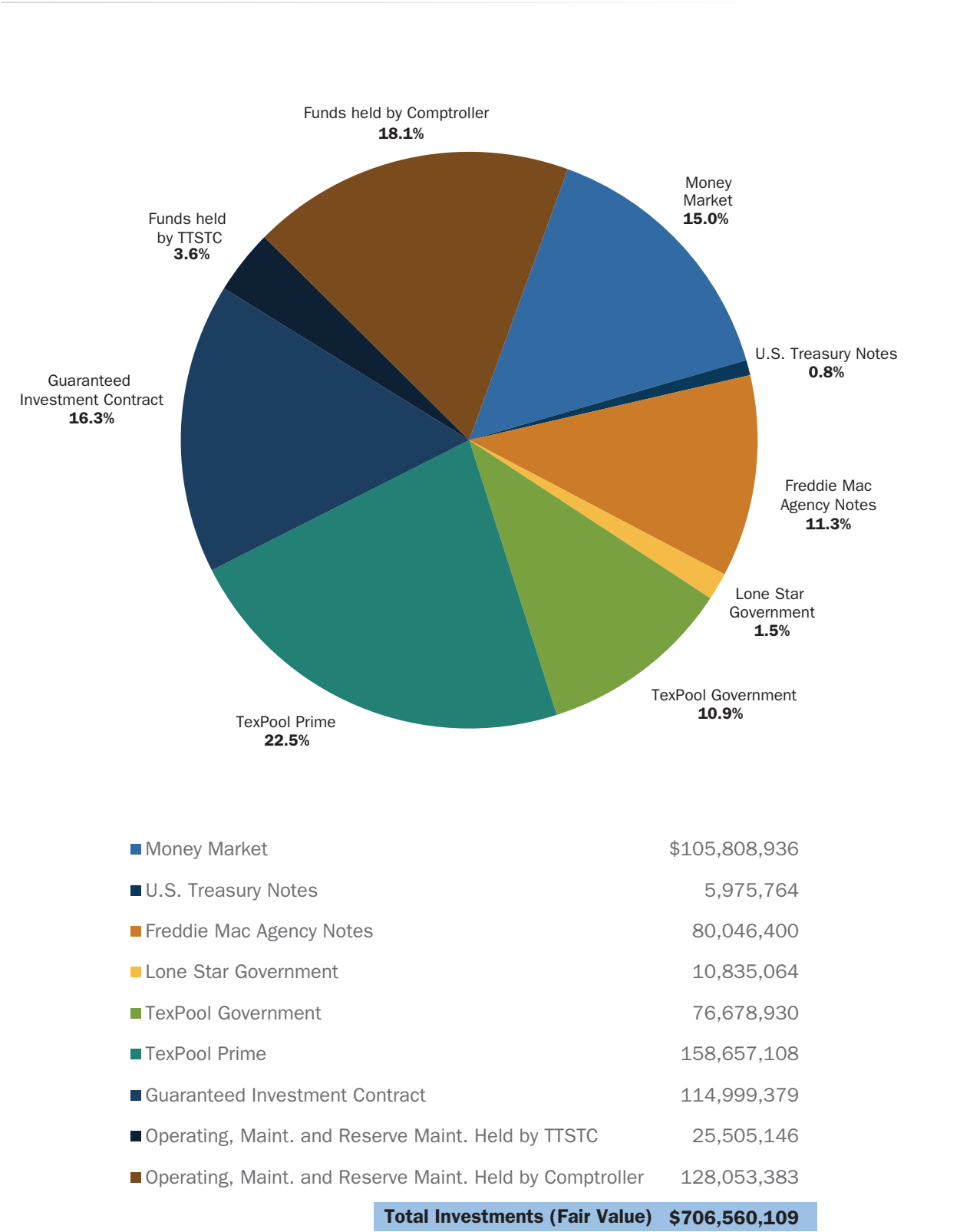
Note ^(A) - In August, \$43.4 million in debt service was paid.Note ^(B) - In August, \$28.9 million in debt service was paid.Note ^(C) - TTSTC - Texas Treasury Safekeeping Trust Company

Fair Values as reported on monthly account statements. Totals may not add up due to rounding.

Schedule 3 – Maturity Distribution and Quarter End Comparison



Schedule 4 – Investments by Security Type





I-35E Project

MANAGEMENT DISCUSSION

In 2016, the Commission entered a Trust Agreement with Amegy Bank, securing the toll revenue obligations of and in connection with the financing of the I-35E Managed Lanes Project. On November 3, 2016, the Commission executed a loan agreement (TIFIA Loan) with the United States Department of Transportation pursuant to the Transportation Infrastructure Finance and Innovation Act to finance a portion of the I-35E Managed Lanes Project.

Suitable investments have been determined using the following criteria and priorities pursuant to the Commission's investment policy and the I-35E Managed Lanes Project investment strategy:

- 1) Suitability of the investment to the financial requirements of the entity;
- 2) Preservation and safety of principal;
- 3) Liquidity;
- 4) Marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) Diversification of the investment portfolio; and
- 6) Yield.

Investments in this portfolio for Type I funds must be an eligible investment pursuant to the TIFIA Loan agreement. Type I funds include the Revenue Fund, Debt Service Fund, and General Fund.

INVESTMENT ACTIVITY

Interest and Investment Income for the quarter: \$62,517: yield 0.34%.

The I-35E Managed Lanes Project collected \$4.2 million in revenue during the quarter.

CURRENT STRATEGY

Investment of this portfolio is determined by the cash flow projections for the Revenue Fund. The strategy, however, remains guided by the following principles: safety of principal, liquidity, and yield, in that order.

CURRENT MARKET CONDITIONS

U.S. Treasury yields reflect monthly averages for November 2020 as posted by the Federal Reserve.

- 3-Month Treasury: 0.09%
- 6-Month Treasury: 0.10%
- 1-Year Treasury: 0.12%
- 2-Year Treasury: 0.17%

Schedule 1 – Investments

Income for Quarter: \$62,517
Yield for Quarter: 0.34%

Description	Yield	Maturity Date	Book Value	Fair Value ¹
Liquid Investments				
Fidelity Treasury Portfolio	0.01%	12/01/20	\$ 1,801,597	\$ 1,801,597
LOGIC Investment Pool ²	0.16%	12/01/20	37,395,284	37,390,335

U.S Treasury Bills, Notes, and Agencies

U.S. Treasury Notes	0.45%	07/31/21	3,043,008	3,043,008
Fannie Mae Agency Notes	0.35%	08/24/23	9,986,858	9,986,858
Freddie Mac Agency Notes	0.40%	02/26/24	9,969,750	9,969,750
Freddie Mac Agency Notes	0.50%	12/09/24	5,001,755	5,001,755
Fannie Mae Agency Notes	0.56%	10/28/25	\$ 4,996,295	4,996,295
			\$ 72,194,547	\$ 72,189,598

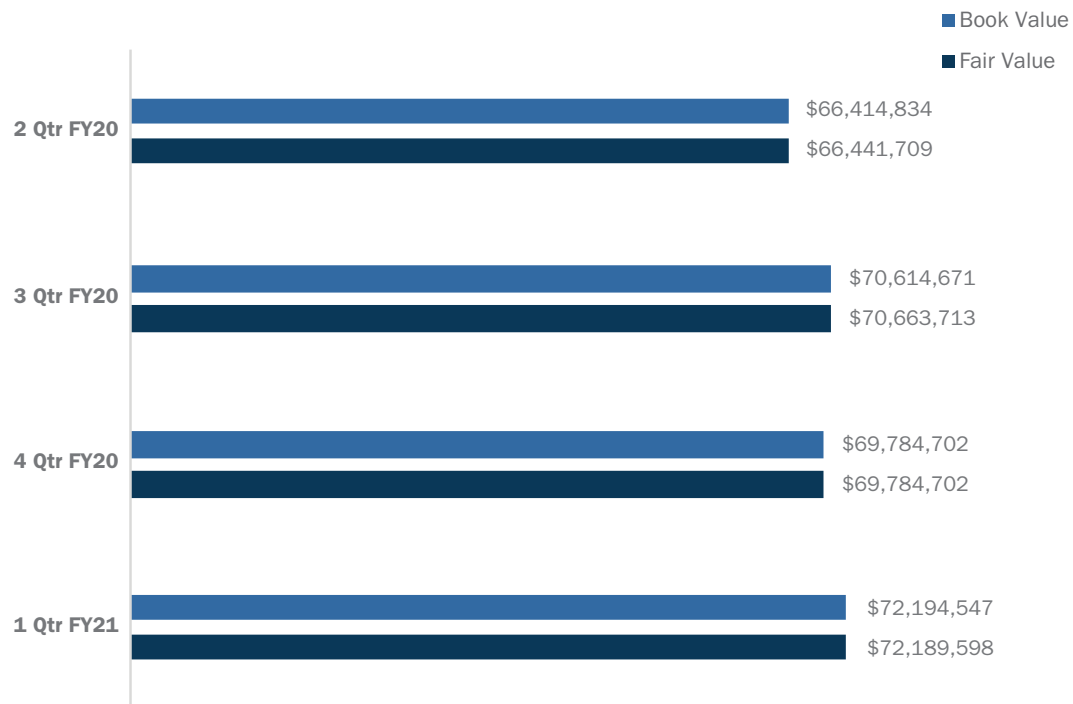
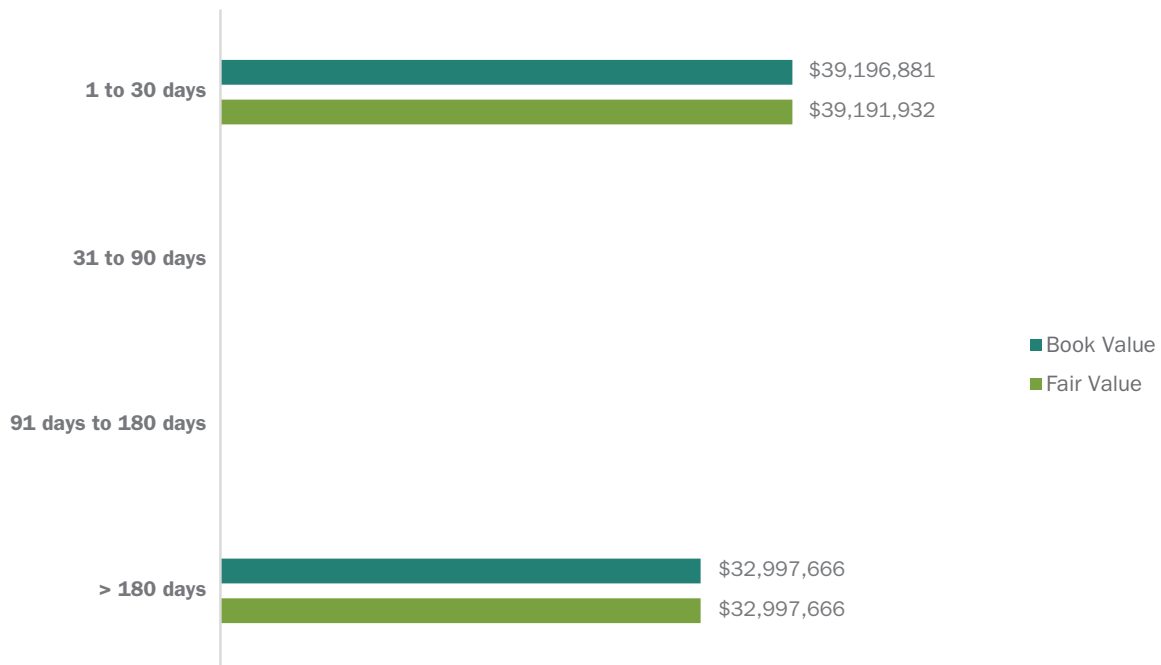
Notes:

¹ For the quarter, (\$62,254) was booked for changes in the Fair Value of investments. All investments are intended to be held to maturity.

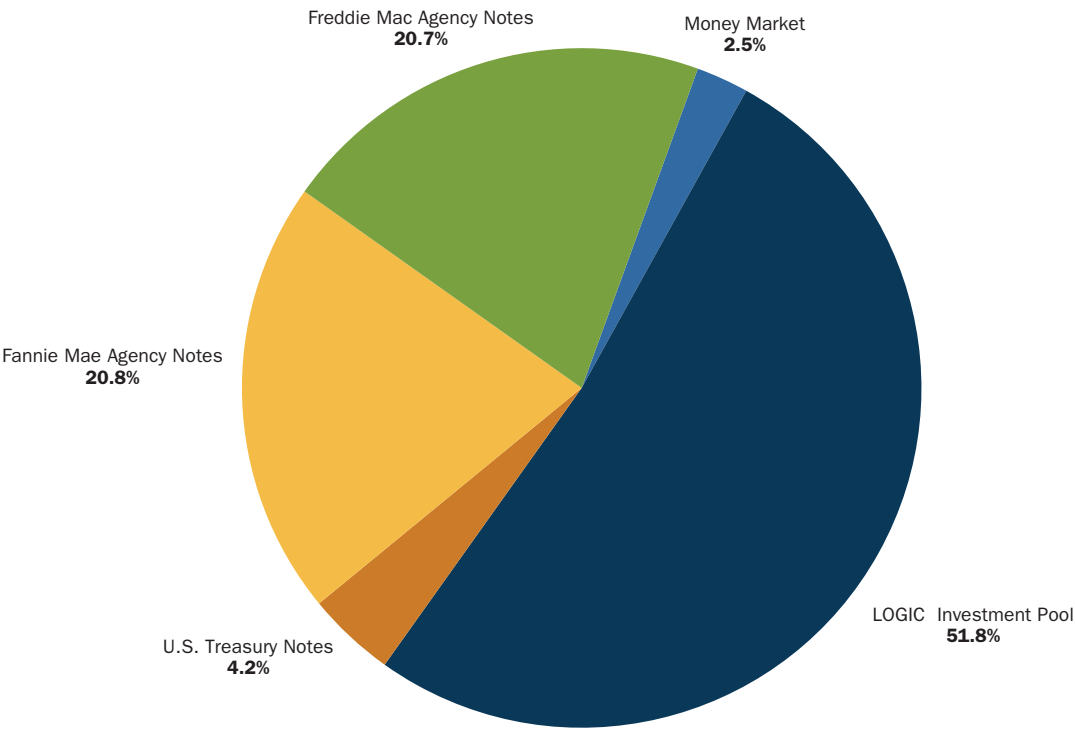
² These local government investment pools seek to maintain a one dollar per share, as required by the Texas Public Funds Investment Act.

Fair Values are reported on monthly account statements. Totals may not add up due to rounding.

Schedule 2 – Maturity Distribution and Quarter End Comparison



Schedule 3 – Investments by Security Type



■ Money Market	\$1,801,597
■ LOGIC Investment Pool	37,390,335
■ U.S. Treasury Notes	3,043,008
■ Fannie Mae Agency Notes	14,983,153
■ Freddie Mac Agency Notes	14,971,505
Total Investments (Fair Value) \$72,189,598	

Prepaid TxTag Account

MANAGEMENT DISCUSSION

In 2007 the Texas Department of Transportation entered a Master Lockbox and Custodial Account Agreement securing funds from the operation of certain toll roads including the Prepaid TxTag Account funds. Investments of the PrePaid TxTag account are held by The Bank of New York Mellon, acting as custodian.

Suitable investments have been determined using the following criteria and priorities pursuant to the Commission's investment policy and the Prepaid TxTag investment strategy:

- 1) Suitability of the investment to the financial requirements of the entity;
- 2) Preservation and safety of principal;
- 3) Liquidity;
- 4) Marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) Diversification of the investment portfolio; and
- 6) Yield.

Investments in this portfolio are restricted to:

- 1) U.S. Treasury and other government obligations that carry the full faith and credit guarantee of the United States for the payment of principal and interest;
- 2) Federal Agency or U.S. government sponsored enterprises (GSE) obligations, participations or other instruments; and
- 3) Securities and Exchange Commission registered money market funds.

Further restrictions on the portfolio include:

- 1) Only 20% of the Custodial Account can be investment with a final maturity not to exceed two years from the date of purchase.
- 2) Maximum weighted average maturity for the investments may not exceed 240 days at any time.

The investment instruments described in Schedule 1 are in compliance with the Texas Public Funds Investment Act, the Commission's investment policy and the Prepaid TxTag Account investment strategy.

INVESTMENT ACTIVITY

Interest and Investment Income for the quarter: \$36,944, yield 0.37%.

Schedule 1 outlines all investments outstanding for the quarter ending November 30, 2020.

CURRENT STRATEGY

Invest the portfolio for diversification into 6-9 month maturity sector. Our strategy, however, remains guided by the following principles: safety of principal, liquidity and yield, in that order.

CURRENT MARKET CONDITIONS

U.S. Treasury yields reflect monthly averages for November 2020 as posted by the Federal Reserve.

- 3-Month Treasury: 0.09%
- 6-Month Treasury: 0.10%
- 1-Year Treasury: 0.12%
- 2-Year Treasury: 0.17%

Schedule 1 – Investments

Income for Quarter: \$36,944
Yield for Quarter: 0.37%

Description	Yield	Maturity Date	Book Value		Fair Value ¹
Liquid Investments					
BlackRock FedFund MM	0.00%	12/01/20	\$	30,684,702	\$ 30,684,702
U.S Government Securities					
U.S. Treasury Notes	1.51%	12/15/20		5,000,735	5,003,350
Federal Home Loan Discount Notes	0.45%	03/19/21		3,195,737	3,199,136
			\$	38,881,173	\$ 38,887,188

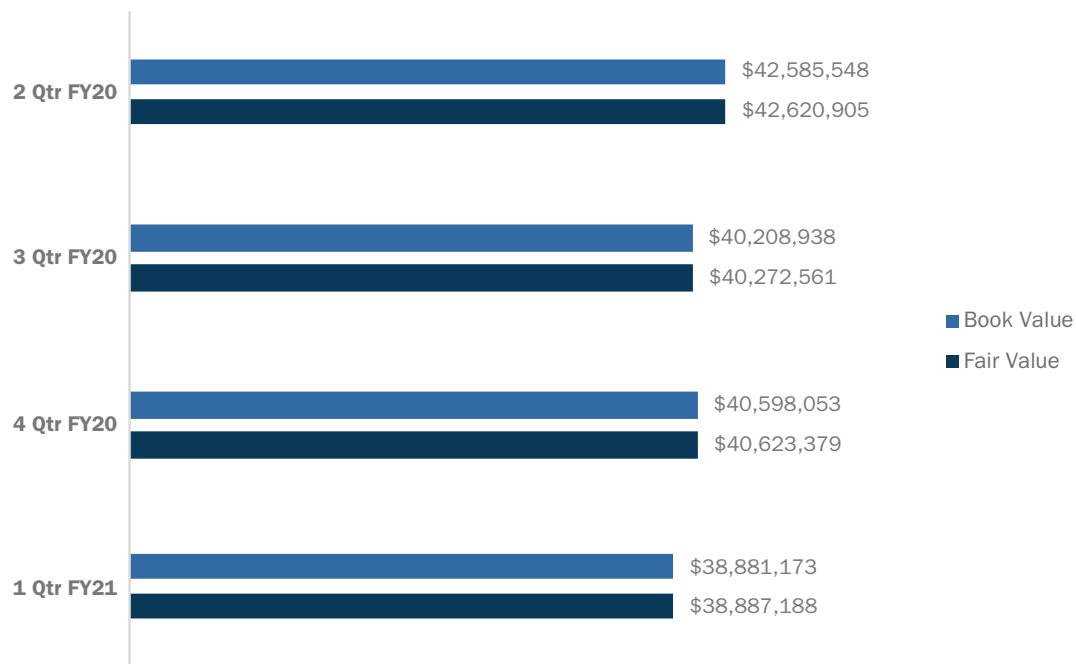
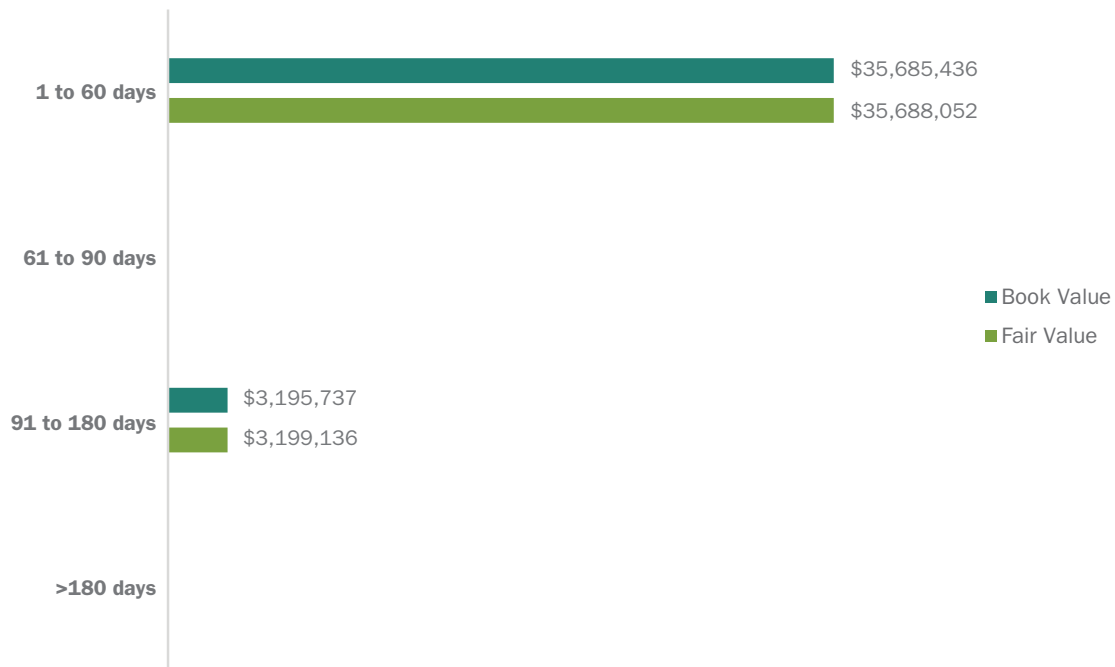
Notes:

¹ For the quarter, (\$9,950) was booked for changes in the Fair Value of investments. All investments are intended to be held to maturity.

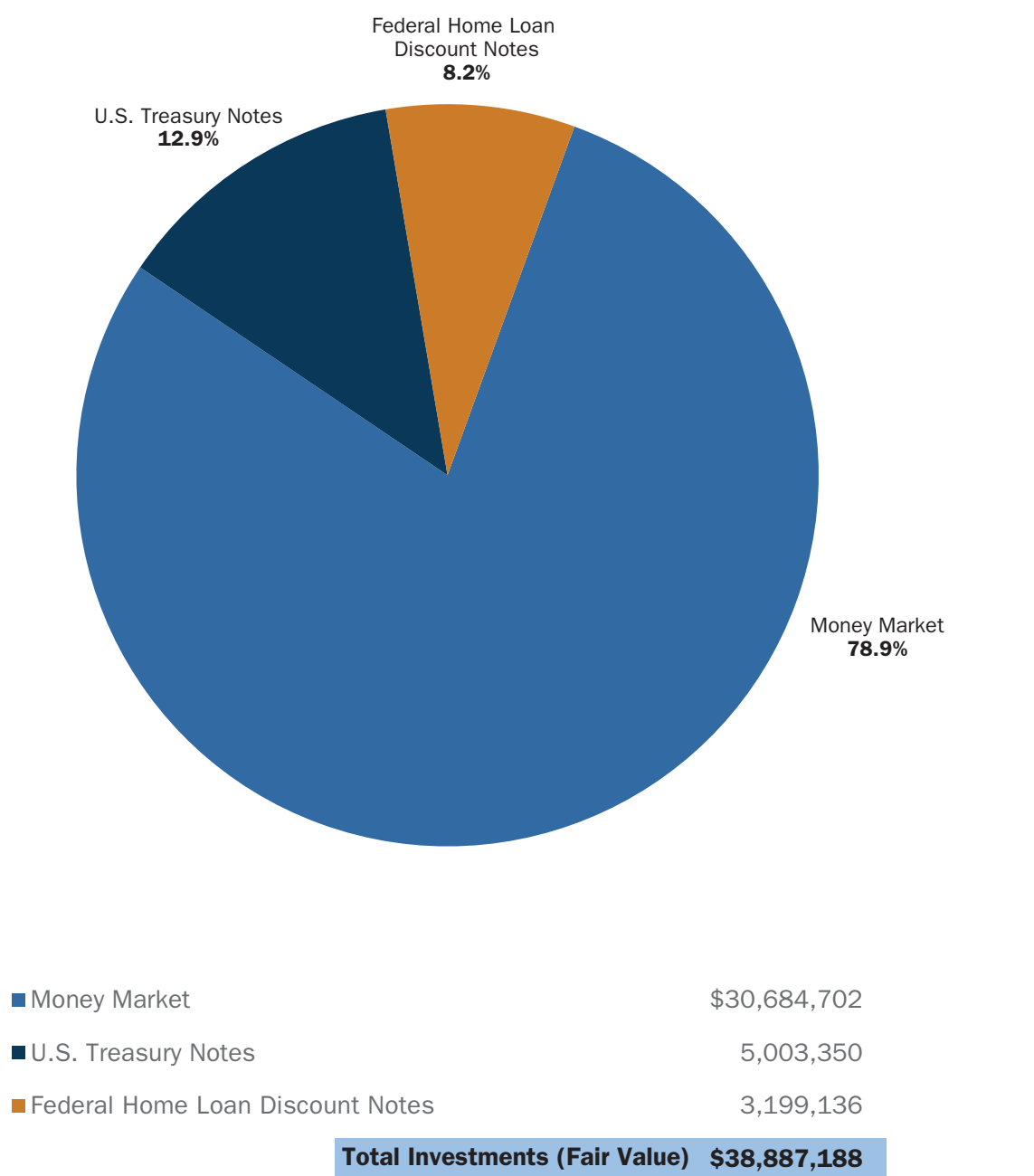
"Weighted average yield to maturity" is the portfolio performance measurement standard.

Fair Values are reported on monthly account statements. Totals may not add up due to rounding.

Schedule 2 – Maturity Distribution and Quarter End Comparison



Schedule 3 – Investments by Security Type





SH 249 System Funds

MANAGEMENT DISCUSSION

In 2019, the Texas Transportation Commission entered a Master Trust Agreement securing toll revenue obligations related to the financing of the SH 249 System. Investments are held by U.S. Bank National Association as Trustee.

Suitable investments have been determined using the following criteria and priorities pursuant to the Commission's investment policy and the SH 249 System investment strategy:

- 1) Suitability of the investment to the financial requirements of the entity;
- 2) Preservation and safety of principal;
- 3) Liquidity;
- 4) Marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) Diversification of the investment portfolio; and
- 6) Yield.

INVESTMENT ACTIVITY

Interest and Investment Income for the quarter: \$143,203; yield 0.88%.

Bond proceeds for the SH 249 System were received on February 26, 2019.

During the quarter, \$4 million was utilized for construction on the project.

CURRENT STRATEGY

Investment of this portfolio is largely based on the cash flow projections for bond proceeds.

The strategy is guided by the following principles: safety of principal, liquidity, and yield, in that order.

CURRENT MARKET CONDITIONS

U.S. Treasury yields reflect monthly averages for November 2020 as posted by the Federal Reserve.

- 3-Month Treasury: 0.09%
- 6-Month Treasury: 0.10%
- 1-Year Treasury: 0.12%
- 2-Year Treasury: 0.17%

Schedule 1 – Investments

Income for Quarter: \$143,203
Yield for Quarter: 0.88%

Description	Yield	Maturity Date	Book Value	Fair Value ¹
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Liquid Investments

Fidelity Treasury Portfolio	0.01%	12/01/20	\$ 62,507	\$ 62,507
Goldman Treasury Portfolio	0.02%	12/01/20	2	2
TexPool Local Government Omvestment Pool ²	0.12%	12/01/20	35,880,571	35,872,506

U.S Government Securities

U.S. Treasury Notes	2.58%	01/31/21	3,611,844	3,611,844
U.S. Treasury Notes	2.58%	01/31/21	300,987	300,987
U.S. Treasury Notes	1.52%	03/31/21	10,039,100	10,039,100
U.S. Treasury Notes	0.45%	07/31/21	4,057,360	4,057,360
U.S. Treasury Notes	0.45%	07/31/21	10,143,400	10,143,400

\$	64,095,772	\$	64,087,707
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Notes:

¹ For the quarter, (\$104,289) was booked for changes in the Fair Value of investments. All investments are intended to be held to maturity.

² This local government investment pool seek to maintain a one dollar per share as required by the Texas Public Funds Investment Act.

Fair Values are reported on monthly account statements. Totals may not add up due to rounding.

Schedule 2 – Allocation by Account

5/31/20

Description	Construction Account	2019A Capitalized Interest Account	2019A First Tier Reserve Account	Taxable 2019B Capitalized Interest Account ^(A)	Taxable 2019B First Tier Reserve Account	2019A Costs of Issuance Account	Taxable 2019B Cost of Issuance Account	Rate Stabilization Fund	Portfolio Total
Fidelity Government MM	-	-	-	-	-	-	-	-	\$ -
Goldman Sachs Government MM	-	-	-	-	-	-	-	-	\$ -
Morgan Stanley Government MM	-	-	-	-	-	-	-	-	\$ -
TexPool Government	12,526,952	5,189,006	14,281,673	333,901	1,308,748	-	-	6,184,011	\$ 39,824,291
Federal Home Loan Discount Notes	-	-	-	-	-	-	-	-	\$ -
U.S. Treasury Bills	-	-	-	-	-	-	-	-	\$ -
U.S. Treasury Notes	-	13,817,020	10,062,500	302,460	-	-	-	4,075,000	\$ 28,256,980
Totals	12,526,952	19,006,026	24,344,173	636,361	1,308,748	0	0	10,259,011	\$ 68,081,271

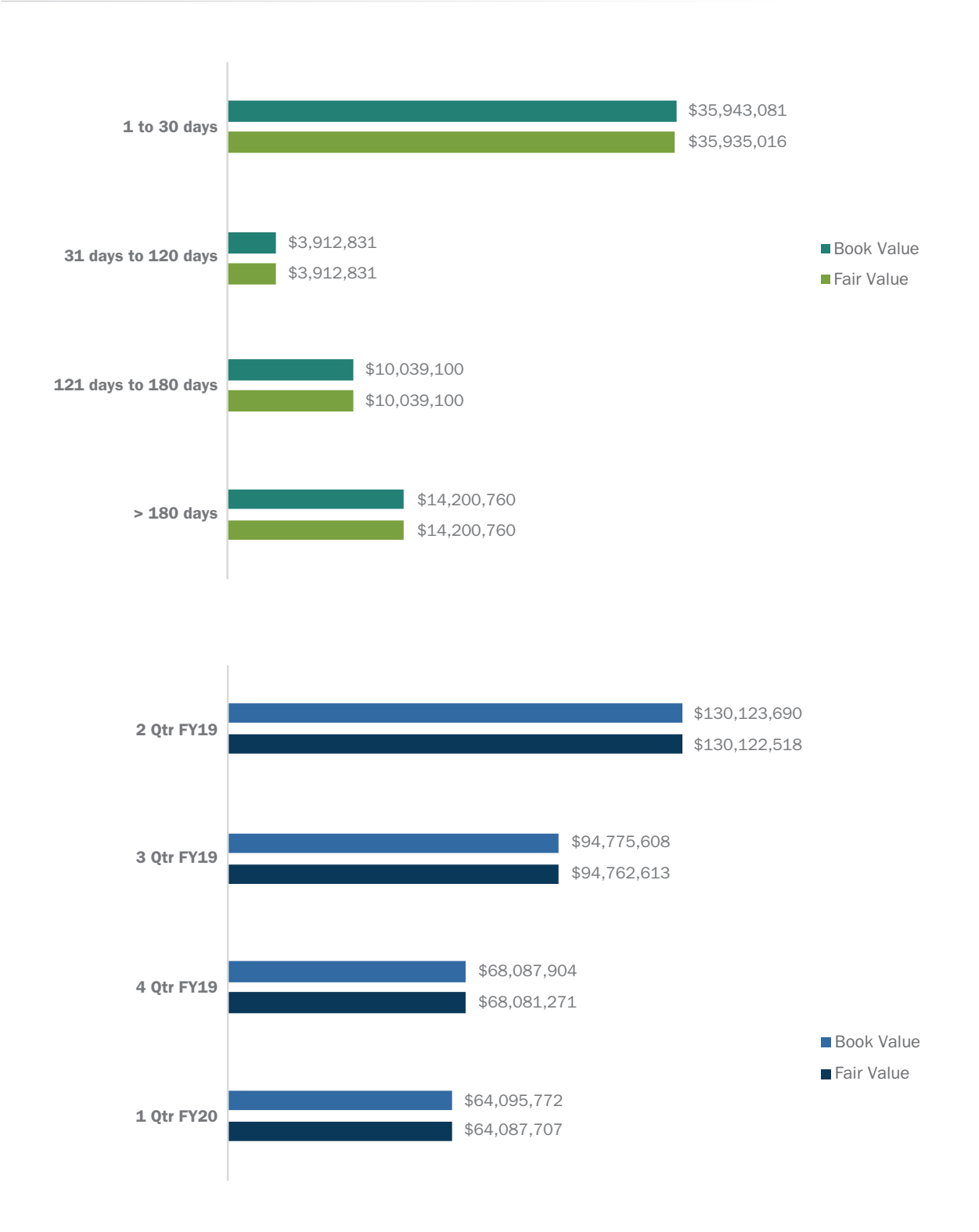
8/31/20

Description	Construction Account	2019A Capitalized Interest Account	2019A First Tier Reserve Account	Taxable 2019B Capitalized Interest Account ^(A)	Taxable 2019B First Tier Reserve Account	2019A Costs of Issuance Account	Taxable 2019B Cost of Issuance Account	Rate Stabilization Fund	Portfolio Total
Fidelity Government MM	-	7	62,501	-	-	-	-	-	\$ 62,507
Goldman Sachs Government MM	-	-	-	-	-	-	-	2	\$ 2
Morgan Stanley Government MM	-	-	-	-	-	-	-	-	\$ -
TexPool Government	8,567,767	5,190,412	14,285,548	333,992	1,309,103	-	-	6,185,684	\$ 35,872,506
Federal Home Loan Discount Notes	-	-	-	-	-	-	-	-	\$ -
U.S. Treasury Bills	-	-	-	-	-	-	-	-	\$ -
U.S. Treasury Notes	-	13,755,244	10,039,100	300,987	-	-	-	4,057,360	\$ 28,152,691
Totals	8,567,767	18,945,663	24,387,148	634,979	1,309,103	0	0	10,243,047	\$ 64,087,707

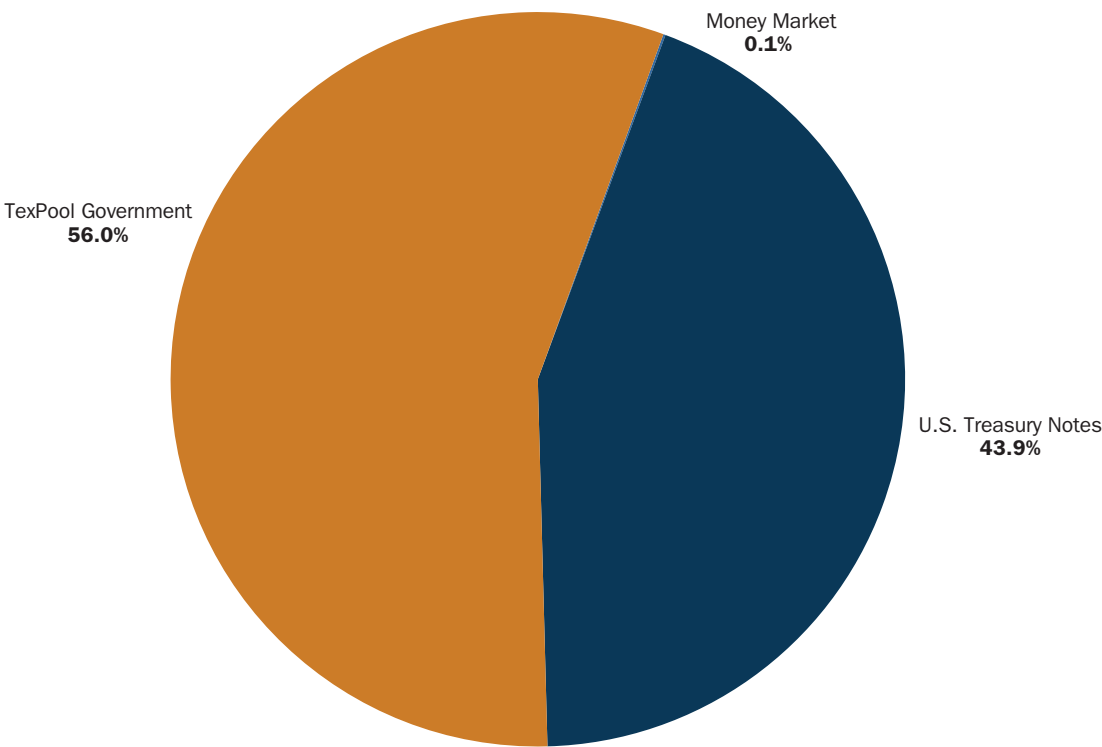
Note ^(A) - In August, \$3.9 million in Capitalized Interest was paid.

Fair Values as reported on monthly account statements. Totals may not add up due to rounding.

Schedule 3 – Maturity Distribution and Quarter End Comparison



Schedule 4 – Investments by Security Type



■ Money Market	\$62,510
■ U.S. Treasury Notes	\$28,152,691
■ TexPool Government	\$35,872,506

Total Investments (Fair Value)	\$64,087,707
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